

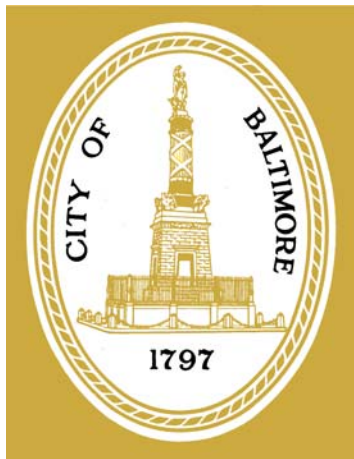
PERFORMANCE AUDIT REPORT

CITY OF BALTIMORE

COMMISSION ON AGING & RETIREMENT EDUCATION

TRANSPORTATION CONTRACTS

JANUARY 2002



City of Baltimore
Department of Audits

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

January 25, 2002

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

This report conveys the results of our quick response audit of the Commission on Aging and Retirement Education's (CARE) administration of its contracts for bus transportation for the Adult Day Care (ADC) Program at the Waxter and Hooper Centers and the Eating Together Program in Baltimore (ETIB) at the Mount Street and Oliver Street Senior Centers. This audit was requested by the Director of Finance.

BACKGROUND:

Under the terms of the contracts, two vendors, one for each program, provide bus transportation from home to the centers and back to home for the participants in the two programs. Payments for bus service in the ADC program are based on a flat daily rate, adjusted in certain circumstances for the number of passengers carried on a given day. Payments for bus service in the ETIB program are based on an hourly rate plus a mileage charge.

Both contracts have been in place for a number of years and have been extended from time to time by the Board of Estimates. The ETIB contract was originally entered into in October 1990, and the ADC contract in October 1995. CARE authorizes payment to the vendors for their contractual services upon receipt of invoices for these services. Payment is then made by the Accounts Payable unit in the Bureau of Accounting and Payroll Services of the Department of Finance.

OBJECTIVES AND SCOPE:

The objective of this audit was to determine if the procedures and controls established to administer the bus transportation services are adequate and performed efficiently and to determine whether services paid for by the City were received in accordance with the contractual agreements.

We limited the scope of this audit to fiscal years 1999 through the first quarter of fiscal year 2002, encompassing the thirty-nine months from July 1998 through September 2001.

This audit was conducted in accordance with generally accepted *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United

States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary.

In conducting this audit, we:

- Documented our understanding of the system of internal controls over the administration of the bus transportation services.
- Tested all payments for bus services to the centers for the two programs for fiscal year 2001.
- Reviewed records at one center, the Mount Street Senior Center, relating to transportation services for the period from July 1998 through September 2001.

AUDIT RESULTS:

Our testing of the procedures and controls pertaining to bus transportation for the ADC and ETIB programs disclosed that they were not adequate and were not operating efficiently. We believe that this lack of adequate procedures and controls resulted in one vendor receiving duplicate payments in fiscal year 2000 and payments for services that were not received in fiscal years 2000 and 2001. Similar payments made in the first quarter of 2002 were partially recovered by CARE after discussion with the Department of Audits.

Specifically, our audit disclosed that CARE did not monitor payments to the vendor in the ETIB program. This vendor was reimbursed for three duplicate billings in fiscal year 2000, for the months of November 1999 and January and May 2000, totaling \$21,647. Furthermore, CARE did not confirm actual dates of bus service with the centers. This vendor also billed \$36,017 for services from November 1999 through June 2001 for a route that was seldom serviced. Similar billings in the first quarter of fiscal year 2002 amounted to \$6,606; CARE recovered \$4,770 of this amount, as noted in the preceding paragraph, by withholding it from a subsequent payment. Therefore, a total of \$37,853 was paid for services not provided (See Exhibit I to this report). The combined total of duplicate payments and payments for services not received is \$59,500.

RECOMMENDATIONS:

We recommend that CARE institute a system of monitoring payments in order to identify duplicate billings and payments. We also recommend that CARE verify the receipt of services by the program before processing any payments. Finally, CARE should confer with the Law Department to determine the feasibility of recovering overpayments made to the vendor and to determine the steps to be taken for recovering the overpayments.

CARE's response to our recommendations and auditor's clarification to CARE's response are included as attachments to this report.

We appreciate the cooperation and assistance provided by staff members of CARE's administrative unit and the Mount Street Senior Center.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

**COMMISSION ON AGING AND RETIREMENT EDUCATION
BUS TRANSPORTATION CONTRACTS
SCHEDULE OF AMOUNT OVERPAID**

<u>PERIOD OF SERVICE</u>	<u>AMOUNT PAID</u>	<u>AMOUNT ALLOWED</u>	<u>AMOUNT OF OVERPAYMENT</u>
11/01/99-11/30/99	\$1,092	\$606	\$486
12/01/99-12/31/99	1,327	0	1,327
01/01/00-01/31/00	968	122	846
02/01/00-02/29/00	2,358	134	2,224
03/01/00-03/31/00	2,874	1,236	1,638
04/01/00-04/30/00	2,402	1,031	1,371
05/01/00-05/31/00	2,901	2,156	745
06/01/00-06/30/00	2,784	2,159	625
07/01/00-07/31/00	2,541	746	1,795
08/01/00-08/31/00	2,961	1,155	1,806
09/01/00-09/30/00	2,590	909	1,681
10/01/00-10/31/00	2,714	380	2,334
11/01/00-11/30/00	2,612	134	2,478
12/01/00-12/28/00	2,370	402	1,968
12/29/00-01/22/01	2,110	659	1,451
01/29/01-02/28/01	2,913	134	2,779
03/01/01-03/27/01	2,510	266	2,244
03/28/01-04/25/01	2,646	0	2,646
04/26/01-05/23/01	2,654	0	2,654
05/24/01-06/26/01	3,050	131	2,919
06/27/01-07/25/01	2,656	533	2,123
07/26/01-08/22/01	2,660	399	2,261
08/23/01-09/26/01	3,152	930	2,222
	<u> </u>	<u> </u>	<u> </u>
TOTALS	<u><u>\$56,845</u></u>	<u><u>\$14,222</u></u>	\$42,623
Recovered, 6/27-9/26/01			<u>(4,770)</u>
NET OVERPAYMENTS			<u><u>\$37,853</u></u>

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Name & Title	Neetu Dhawan-Gray Executive Director
Agency Name & Address	Commission on Aging and Retirement Education (CARE) 10 North Calver St., Suite 300, Baltimore, MD 21202 Phone 410-396-4932 Fax 410-545-1539
Subject	Audit Response – CARE Transportation Contracts for ADC and ETIB Programs

CITY OF
BALTIMORE

MEMO



To: Yovanda D. Brooks, City Auditor

Date: January 23, 2002

This is in response to your memo of January 16, 2002 requesting our review of the above-referenced audit report (draft) as well as planned corrective action that CARE will take to address issues raised in the report. The following recommendations were made and our responses to each are indicated:

- **That CARE institute a system of monitoring payments [to the ETIB vendor] in order to identify duplicate billings and payments.**

For some years CARE has had in place a system whereby payments were monitored to identify duplicated billings and authorized payments. One Accounting Assistant processes the invoices and, before authorizing payments, checks the file for that vendor to verify that the payment has not already been made. We believe that it is possible that the duplication may have occurred in Disbursements. In the future, the City Level reports will be checked more closely to verify that such duplication did not occur.

- **That CARE verify the receipt of services by the [ETIB] program before processing any payments**

Immediately upon learning from the auditor about the overpayments, CARE fiscal staff implemented new procedures that now require the Program Manager at each of the two centers to review the invoice and compare it against daily attendance records to confirm that the charges were reasonable and just. In addition, center staff will periodically ride with the bus to verify that the hours and miles for which CARE is invoiced are reasonable.

- **That CARE confer with the Law Department to determine the feasibility of recovering any other overpayments made to the [ETIB] vendor and to determine the steps to be taken for recovering the overpayments.**

CARE agrees that attempts should be made to recover any and all overpayments made to this vendor. However, it should be noted that it is our understanding that the vendor, Johnson Transportation, has since declared bankruptcy. That notwithstanding, CARE will confer with the Law Department to define those steps that might be taken for recovering the overpayments amounting to \$37,853 as reported.

Thank you for the opportunity to respond to the findings of this audit. If you need additional information, please contact me or Rick Ebling, Chief of Administrative & Technical Support Services, at 6-4932.

c: Rick Ebling
Janice Edwards

**AUDITOR'S CLARIFICATION ON
COMMISSION ON AGING & RETIREMENT EDUCATION'S
RESPONSE TO THE AUDIT**

The responses of the Commission on Aging and Retirement Education (CARE) – Transportation Contracts to our audit are included as an attachment. Although CARE's response indicates that it intends to implement our recommendations, there are several statements in the response that require further clarification.

Establish a system of monitoring billings and payments.

In its response to our audit, CARE indicated that the duplication might have occurred in Disbursements. These three duplicate billings and payments were clearly a result of agency approval for payment of vendor's invoices. We strongly recommended that CARE implement a system to monitor payments of vendors' invoices. This system should include maintaining a log of vendors' billings and payments (automated or manual) and verifying previous billings and payments to ensure that the current request for payment is not a duplicate billing.

Confer with the Law Department to recover duplicate payments and overpayments.

CARE indicated in its response that it would confer with the Law Department to define those steps that might be taken to recover the overpayments amounting to \$37,853. We recommended that CARE confer with the Law Department to determine the feasibility of recovering both the duplicate payments and overpayments totaling \$59,500.